

# ***EXHIBIT 1***

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF WEST VIRGINIA  
AT CLARKSBURG**

**THE KAY COMPANY, LLC; H. DOTSON  
CATHER, Trustee of Diana Goff Cather Trusts;  
and JAMES E. HAMRIC III, and all other  
persons and entities similarly situated,**

**Plaintiffs,**

**CIVIL ACTION NO. 1:13-cv-151  
JUDGE JOHN PRESTON BAILEY**

**v.**

**EQT PRODUCTION COMPANY; EQT  
CORPORATION; EQT ENERGY, LLC; EQT  
INVESTMENT HOLDINGS, LLC; EQT  
GATHERING, LLC; and EQT MIDSTREAM  
PARTNERS, LP,**

**Defendants.**

**AFFIDAVIT OF JOHN BERGONZI**

Comes the affiant, having been duly sworn, and deposes and states as follows:

1. My name is John Bergonzi. I am over 21 years of age, of sound mind, and capable of making this Affidavit. I am fully competent to testify to the matters stated herein and I have personal knowledge of the facts set forth herein.
2. I was the Vice President of Finance and Controller for the company that is now EQT Corporation from approximately 1995 to 2009.
3. EQT Production Company ("EQT Production") explores for and produces natural gas in six states, including West Virginia.
4. EQT Production sells most of the natural gas it produces to EQT Energy, LLC ("EQT Energy").

4. EQT Production sells most of the natural gas it produces to EQT Energy, LLC (“EQT Energy”).
5. EQT Energy purchases natural gas from many producers, including EQT Production, and then sells that gas at various sales points to numerous purchasers.
6. EQT Gathering, LLC (“EQT Gathering”) transports natural gas for a fee, usually from the point it is produced to a processing facility or interstate pipeline. Its customers include EQT Energy and many other unaffiliated customers.
7. EQT Corporation, EQT Investments Holding, LLC and EQT Midstream Partners, LP, are not directly involved in the production, transportation, or marketing of any West Virginia natural gas.
8. In February 2000, Equitable Production Company (“EPC”), EQT Production’s predecessor, acquired all of the West Virginia, Virginia, and Kentucky oil and gas interests of Statoil Energy, Inc. (“Statoil”). At the time EPC acquired Statoil, EPC did not own or operate any gas wells in West Virginia.
9. Almost all of the West Virginia wells currently operated by EQT Production are the result of the Statoil acquisition or new well drilling after February 2000.
10. Following the Statoil transaction, revenue distributions continued on the accounting system acquired from Statoil. In January 2002, that system was replaced by Enertia, an oil & gas accounting system still utilized by EQT Production, with information from the Statoil accounting system downloaded to the new Enertia system.

11. Until 2005, Equitable Energy, LLC (now EQT Energy) purchased substantially all of EQT Production's gas at the interstate connection.
12. On leases where royalty was to be paid "at the well" and allowed the deduction of downstream costs, EQT Production deducted the royalty owners' share of downstream costs from the sales price received, as shown on its royalty remittance statements. This method of calculating the wellhead price by deducting post-production costs from the downstream sales price is generally referred to as the "work back method" and had long been utilized in West Virginia and other states to establish a wellhead price.
13. I was involved with and am familiar with the reorganization of EQT Production Company that occurred in late 2004 to early 2005.
14. Before 2005, EQT Production's predecessor, Equitable Production Company, operated two businesses: production and gathering.
15. On January 1, 2005, EQT Production reorganized to separate out its "midstream" business to, among other things, better track and analyze the cost structure of its production, gathering, and marketing businesses to ensure that each business was generating a fair rate of return.
16. This reorganization resulted in the formation of EQT Gathering, LLC, and EQT Gathering Equity, LLC, the entities responsible for gathering, compressing, and transporting natural gas.
17. As part of the reorganization, EQT Production entered into gas purchase contracts with EQT Energy, LLC (formerly Equitable Energy). The contracts' pricing provisions utilized the

“work back method” to calculate the wellhead value of the gas sold. The contracts provided for a sales price based on the following objective formula:

[The] Applicable First of the Month Index Price applicable to the interstate pipeline(s) into which the Gas is delivered, less prevailing gathering related charges and retainage applicable to such point(s), less any other agreed applicable fees or charges.

18. EQT Energy, in turn, entered into gathering contracts with the newly-created gathering companies, allowing EQT Energy to transport gas purchased from EQT Production to a point of sale at the interstate connection in exchange for the payment of a cost-of-service rate charged by the midstream companies.
19. Under this new framework, EQT Energy began buying gas from EQT Production at the wellhead and paying EQT Production based on the price and volumes it sold the gas for at the interstate pipeline connection(s). The gas purchase contract was renegotiated in 2012, but the pricing formula remains the same.
20. EQT Gathering transports EQT Energy’s gas through the Weston, Brenton, Madison, Weston (Marcellus), KA-8, Saturn, WG-100, Pandora, and H-156 gathering systems, pursuant to separate, negotiated gathering agreements for each system.
21. Each year, EQT Gathering calculates “plan rates” to be charged for its gathering services on the Weston, Brenton, Madison, Weston (Marcellus), KA-8 systems.
22. These annual rates are based on EQT Gathering’s business plan, which projects what its operational costs will be for the next year. *Id.* The rate varies by geographic area and type of

development, depending on what costs are allocated to each area and the nature of gas being transported.

23. This rate charged to EQT Energy is a fully-burdened rate (meaning it includes all of the costs that typically go into gathering the gas), which EQT Energy applies to the pricing formula set forth in the gas purchase contracts with EQT Production.

24. While EQT Production bears the full burden of this plan rate in its payment from EQT Energy, EQT Production determines, with assistance from EQT Gathering, how much of that rate reflects charges for EQT Gathering's rate of return, depreciation, and income taxes. EQT Production then adds that amount back in to the sales price before it pays royalty owners.

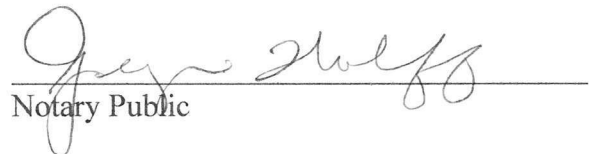
FURTHER THE AFFIANT SAYETH NAUGHT.

  
John Bergonzi

Taken, subscribed to and sworn before, a notary public, on the 12<sup>th</sup> day of December, 2015.

My commission expires: Oct 2 2016.

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Georgiana Wolff, Notary Public  
Hampton Twp., Allegheny County  
My Commission Expires Oct. 2, 2016  
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

  
Notary Public